



Auditor of Public Accounts
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Harmon Releases Audit of Taylor County Clerk's Fee Account

FRANKFORT, Ky. – State Auditor Mike Harmon today released the audit of the 2018 financial statement of Taylor County Clerk Mark Carney. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and excess fees of the Taylor County Clerk in accordance with accounting principles generally accepted in the United States of America. The clerk's financial statement did not follow this format. However, the clerk's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 clerk audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

The Taylor County Clerk's Office lacks adequate segregation of duties: This is a repeat finding and was included in the prior year audit report as Finding 2017-001. The deputy who prepares the daily checkout sheet also collects money, prepares the daily deposit, and posts to the ledger. The county clerk also performs these duties. Another deputy and the county clerk jointly prepare the quarterly financial reports. The county clerk prepares, signs, and posts all disbursements. The county clerk performs bank reconciliations the majority of the time with no one reviewing.

The condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to. Adequate segregation of duties would prevent the same person

from having a significant role in the receiving and disbursing of funds, recording and reporting of those receipts and disbursements. In addition, compensating controls would not be effective over duties performed by the county clerk. A lack of segregation of duties increases the county clerk's risk of misappropriation of assets, errors and inaccurate financial reporting.

Segregation of duties over receipts, disbursements, and the reconciliation process or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also prevent inaccurate financial reporting or misappropriation of assets.

We recommend the county clerk strengthen internal controls by segregating these duties. If segregation is not possible, due to a limited number of staff, strong oversight should be implemented. The employee providing this oversight should document his or her review by initialing all source documentation.

County Clerk's Response: See response from previous audit.

The Taylor County Clerk did not deposit funds intact daily: This is a repeat finding and was included in the prior year audit report as Finding 2017-003. The county clerk's daily checkout sheets show each day's cash on hand is different. In addition, the county clerk leaves the daily cash receipts overnight in the office and makes the deposit the next day. This would normally be acceptable; however, the cash drawers are housed in a wooden cabinet in a locked room.

This deficiency is allowed to occur because it is the county clerk's policy to only deposit cash bills, leave all change for startup cash, and to keep the cash drawers in the locked room overnight. As a result of not depositing funds intact daily, the county clerk is not in compliance with guidelines set forth by the state local finance officer. Also, if a fire were to occur due to electrical wiring in the locked room, the wooden cabinet would be destroyed, along with all monies contained within.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* recommends the minimum requirements for handling public funds pursuant to KRS 68.210. The manual requires there to be "daily deposits intact into a federally insured banking institution". The practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. Additionally, when deposits are not made timely, the risk that the bank account can be overdrawn is increased.

We recommend the county clerk make daily deposits intact and leave a set amount in each of the cash drawers as startup monies each day. We also recommend the county clerk either take the daily deposit to the bank overnight for safekeeping or house in a fire proof safe in his office until the deposit can be made the next morning.

County Clerk's Response: See response from previous audit.

The Taylor County Clerk did not adhere to the Taylor County Fiscal Court's *Personnel Policies And Procedure Handbook* or implement his own written policy: This is a repeat finding and was included in the prior year audit report as Finding 2017-004. The county clerk's office

employees were granted vacation leave according to fiscal court's policy; however, sick leave balances were not in accordance with fiscal court's policy.

Per the county clerk, he allows each employee to receive 12 sick/personal leave days per year, which complies with fiscal court's policy. He only allows his employees to carry a maximum total of 30 days (240 hours) over into the next year. He also allows each employee to bank a maximum of six unused days (48 hours) for the year. Bank days can only be used in case of surgery, illness, or retirement. Any unused hours in excess of six bank days and hours that should be carried to the next year are lost.

Since the county clerk is not following fiscal court's policy, his employees are not receiving the full benefits of being a county employee.

Taylor County Fiscal Court's *Personnel Policies and Procedure Handbook* states, "Employees hired prior to 7/1/11 may carry forward 968 hours of accumulated sick leave for retirement through Kentucky Retirement Systems. These hours will be used to extend the employees retirement date, wages and benefits from Taylor County Fiscal Court. At time of retirement any additional hours accumulated above the 968 will be forfeited."

We recommend the county clerk adhere to the Taylor County Fiscal Court's *Personnel Policies and Procedure Handbook* or implement his own written policy.

County Clerk's Response: See response from previous audit.

The Taylor County Clerk did not require third-party purchasers to make deposits and payments in accordance with 103 KAR 5:180: This is a repeat finding and was included in the prior year audit report as Finding 2017-006. The Taylor County Clerk did not require purchasers to make deposits at the time of registration as required by 103 KAR 5:180 for priority tax bills and current tax bills.

The county clerk stated he has some third party purchasers that may send a check, but not end up purchasing the bills, so he feels it is better to give them the check back instead of depositing the check and refunding it. Failure to collect deposits can result in the county clerk not being able to cover any additional costs and expenses associated with any purchaser who fails to make full payment at the time of the tax sale.

103 KAR 5:180 requires third party purchasers make a deposit with county clerk for tax bills they wish to purchase at the tax sale. Purchasers are required to provide a deposit of 100% of tax bills listed on the purchaser's priority tax bill list and deposit 25% of the list of tax bills that the purchaser wishes to purchase at tax sale. Additionally, 103 KAR 5:180 requires purchasers to pay a registration fee of \$5 for each priority tax bill and \$10 for each current tax bill included on their list of tax bills they wish to purchase with the total registration fee not to exceed \$250. The deposits made by the third party purchasers should be deposited to an official bank account when received. The deposits should be applied to the payment of the tax bills the purchaser purchases at the tax sale date and any balances refunded to the third party purchasers. The registration fee paid by the third party purchasers should be deposited to the fee account when received.

We recommend the county clerk require third party purchasers make deposits for tax bills they wish to purchase as required by 103 KAR 5:180.

County Clerk's Response: You can review notes from previous audit. We did start requiring the 3rd party to make 25% deposit in 2019 for the 2018 tax sale.

The Taylor County Clerk did not have adequate controls over payroll: This is a repeat finding and was included in the prior year audit report as Finding 2017-005. The Taylor County Clerk required full time deputies to maintain timesheets; however, the hours did not always reflect the actual hours worked by the employees for pay period tested.

- The county clerk allows deputies who work four hours on Saturday to have an eight hour day off during the same week and pays the employee double time for Saturday.
- The county only had employees write Election Day on their time sheets for the Election Day instead of their actual hours work and then paid full time employees a \$200 election bonus for working Election Day plus for a regular 8 hours.

These deficiencies occurred due to the county clerk not having a written policy stating his office hours and work schedule and by not adhering to the Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook*. As a result of inaccurate timesheets, employees could be paid for more or less hours than actually worked especially if overtime is worked during elections.

Good internal controls dictate timesheets should be reviewed for accuracy by immediate supervisor and recalculated by someone other than the preparer after employees sign timesheets documenting hours worked. KRS 337.320(1)(b) states, "[e]very employer shall keep a record of: ...The hours worked each day and each week by each employee[.]" Also, the Taylor County Fiscal Court's *Personnel Policies and Procedures Handbook* requires, "employees should accurately record the time they begin their work and end their work".

According to the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* under the section labeled "Handling Public Funds, Minimum Requirements Pursuant To KRS 68.210, For All Local Government Officials (And Employees)", bonuses, prepayment for goods or services, and any other contributions are not an appropriate expense of the government.

We recommend the following:

- All employees should prepare and sign a timesheet each pay period indicating the actual hours worked and any sick or vacation leave taken.
- The county clerk should adhere to fiscal court's policy or implement his own written policy including his office hours and work schedule.
- The county clerk not pay bonuses to employees.

County Clerk's Response: Will adjust the way Election Day pay is handled beginning with the 2019 general election.

The county clerk's responsibilities include collecting certain taxes, issuing licenses, maintaining county records and providing other services. The clerk's office is funded through statutory fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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